NEWCO FINANCIAL CORPORATION

ANNUAL REPORT 1978

AR12





CONTENTS

Financial and Operating Highlights	1
President's Report	3
Statistical Review	6
Auditor's Report	7
Financial Statements	8
Indicators of Growth, Current and Future	14
Important New Products in Demand	15
Agency Offices	18
Directors and Officers	20

NEWCO FINANCIAL AND OPERATING HIGHLIGHTS

	1978	1977	% Increase
		(Thousands)	
New Life Insurance and Annuities Issued	265,000	202,000	31.2
Life Insurance and Annuities in Force	790,000	590,000	33.9
Total Life Company Assets	53,097	32,909	61.3
Benefits Paid to Policy Owners and Beneficiaries	3,758	3,119	20.5
Net Income before income taxes	1,358	872	55.7
Net Income for the year	778	799	—
Total Assets	101,244	51,716	95.8



PRESIDENT'S REPORT

This report summarizes your company's performance and activities during the fiscal year which ended December 31, 1978.

It is my pleasure to report once again on a year of successful operations by your company — a year of financial success, of corporate growth, of innovation in our product range, and increasing acceptance of our company and its policies in the many markets we serve.

It is traditional in a report of this nature to save a few words of appreciation for the staff as a closing remark. I prefer to give such a tribute much greater prominence, for this company **is** its people. The statistics on the following pages are merely a reflection of how well our people served the company and how well the company served them, for neither can profit and prosper without benefitting the other.

The staff and agents of Newco, in whatever capacity they serve, have shown once again that it is possible for a strong, resilient and creative company to swim against the tide of an unfavourable economy. The climate for growth in the business sector was again far from favourable in 1978: inflation continued almost unchecked; the level of unemployment remained intolerably high. In this context, the people who constitute our market are understandably reluctant to commit themselves to long-term obligations such as life insurance, and they are more watchful than ever of how they utilize their discretionary spending power. Nevertheless, your company and its people have been able to overcome these negative influences to record advances in virtually every indicator of performance.

Our principal subsidiary, The North West Life Assurance Company of Canada, once more registered a healthy measure of growth. It is now served by 492 agents, almost equally divided in number between Canada and the United States, working through 118 general agencies.

New Ordinary Life Insurance and Annuities Issued increased from $202,000,000 in 1977 to $265,000,000 in the year under review — an increase of 31.2%.

Total Business in Force rose by 33.9% from $590,000,000 the previous year to $790,000,000 in 1978. In my 1975 Report to Shareholders, when Total Business in Force was marginally over $300,000,000, I first included a projection that this figure would reach $1 billion by 1980. Based on the achievements of the intervening years, I must revise that estimate. I now predict that the one billion dollar target will be reached by 1979!

Premium Income in 1978 was also up, rising from the 1977 total of $10,114,000 to $23,619,00 last year for an increase of 133.5%. One of the major factors in this increase was the fact that 27% of our life insurance sales in Canada was in "new money products", that is in the new Adjustable Single Premium Whole Life Insurance policies which I previewed in this report a year ago. I forecast at that time that these and other innovative policies would find a ready market. They have, and they will continue to do so.

Growth was also recorded in your company's Investment Income, from $2,766,000 in 1977 to $5,772,000 in 1978, representing a 108.7% increase. The average net yield on invested assets was 10.02%, indicating another excellent performance by your Investment Department in maintaining a sound yet profitable portfolio throughout the year.

During 1978, your company initiated a number of programs which reflected and sustained our continued growth:

In December, we moved into our new Home Office Building at 595 Howe Street in Vancouver, in the heart of the downtown financial and businesss community. These new premises afford ample space for the future growth which I confidently predict.

During the year we also became even more active as pioneers in the re-insurance field. In brief, we make life insurance available to "uninsurables" — people who have traditionally been denied coverage because of a poor health or medical history, or who would have been required to pay substantially higher premiums for "uninsurable insurance". Working through brokers and other licensed reinsurers in Canada, we are able to offer this considerable market (about 2% of all Canadians who apply for insurance) life insurance coverage at substantially the same basic premium rate as on other life policies we issue.

Based on two years of experience, this is a favourable and profitable segment of the market; but of equal importance is the sense of obligation we feel that no applicant should automatically be denied insurance by this great industry we serve.

Another major event of 1978 was the acquisition by your company of Continental Estates Corp. Ltd., a mortgage investment company with its Head Office in Vancouver and branches in New Westminster and Calgary. The transaction was completed on October 6, 1978, and the assets of the company were $30,000,000 as at December 31, 1978. Continental has been in operation for some 20 years and is in the business of obtaining funds for investment in mortgages; it issues savings certificates to members of the public over

Peter G. Ropchan,
President

various terms up to 5 years.

Arthur W. Putz, Vice-President and Secretary-Treasurer of Newco Financial Corporation and of North West Life, was appointed President of this new addition to the Newco group of companies. We have retained the original staff members and extend them a warm welcome.

NW Growth Investments Ltd., our wholly-owned Investment Company subsidiary, rode a buoyant stock market in Canada and a fluctuating U.S. market to register admirable gains during 1978.

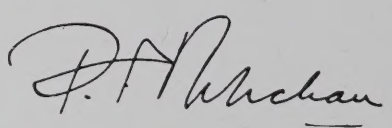
The NW Equity Fund, which is invested primarily in U.S. equities, recorded its fourth successive year of healthy advance in net asset value per share with a gain of 27.2% during 1978. This contrasts with a decline of 3.1% in the Dow Jones Industrial Index and an advance of 17.7% for the American Stock Exchange Index.

The NW Canadian Fund, which holds a portfolio of Canadian equity stocks, also posted a substantial gain of 28.5% during 1978 versus 7.3% in the previous year. This performance was only marginally below the TSE 300 gain of 29.3%, this despite holding considerable cash reserves.

All indicators suggest that the strength of the 1978 Canadian market and the sometimes erratic performance of the U.S. stock market will be somewhat dampened by a mild recession in the United States towards mid-year 1979 or later. However, we believe that the hiatus will be temporary, that the fundamental values available in equity instruments are still excellent, and that the ownership of common stock in an astutely managed fund will yield a generous harvest of dividends and capital gains into the 1980's.

Whatever the economic climate we face in the year ahead and beyond, my confidence in your company's ability to go from strenght to strength remains undiminished. We have already proven this capacity in difficult and demanding years. We will continue to design, introduce and market new and improved consumer products, for it has always been the philosophy of your company that the needs of the consumer, whatever form they take, are our primary consideration.

The company that is motivated to recognize and meet consumer needs cannot help but win their allegiance and their business — and it cannot help but attract the high calibre of staff and agents who are our present and future strength.

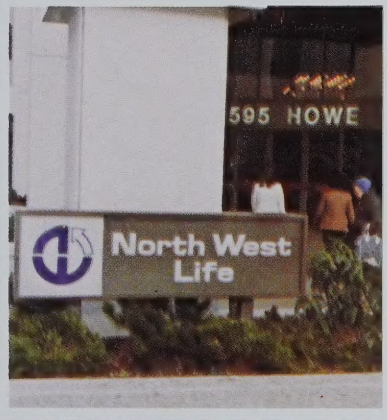


Peter G. Ropchan,
President

The corporation's new Home Office building is at 595 Howe Street, in the heart of Vancouver's business and financial district.

The attractive entrance offers a warm welcome to customers and visitors.

Inside, the new offices are spacious, modern and efficient — an environment that is both conducive to work and attractive to members of staff.





NEWCO STATISTICAL REVIEW

	1978 (000's)	1977 (000's)	1976 (000's)	1975 (000's)	1974 (000's)
NEW LIFE INSURANCE AND ANNUITIES ISSUED	$265,000	$202,000	$166,629	$ 82,560	$ 41,000
LIFE INSURANCE AND ANNUITIES IN FORCE	790,000	590,000	437,363	300,395	240,000
MUTUAL FUND ASSETS UNDER ADMINISTRATION	6,797	6,192	21,988	23,612	18,500
Life premiums and annuity considerations	23,619	10,114	6,972	5,049	4,158
Investment income	5,772	2,979	1,953	1,504	1,244
Realty and other income	295	374	140	232	239
Total	29,997	13,889	9,599	7,529	6,430
Payments to Policyholders and Beneficiaries	3,758	3,119	2,599	2,407	2,090
Increase in Policyholder reserves	19,177	6,076	3,327	2,132	1,592
Operating income	2,010	986	691	394	424
Income taxes	580	73	21	—	—
Minority interests	669	114	6	4	4
Net income	$ 778	$ 799	$ 664	$ 390	$ 420
Earnings per share (in dollars)					
—income before extraordinary items	$ 518	$ 468	$ 325	$ 182	$ 207
—from extraordinary items	12	—	4	10	—
—for the year	$ 530	$ 468	$ 329	$ 192	$ 207

Earnings per share figures for 1976 and prior years have been restated in terms of consolidated shares.

AUDITOR'S REPORT



The Shareholders,
Newco Financial Corporation.

We have examined the consolidated balance sheet of Newco Financial Corporation as at December 31, 1978 and the consolidated statements of income and retained earnings for the year then ended. Our examination of the financial statements of Newco Financial Corporation and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the determinations certified by the Life Assurance subsidiary's valuation actuary as to the stated liabilities under insurance contracts. We have relied on the report of the auditors who have examined the financial statements of the other subsidiary.

A significant portion of these consolidated financial statements relate to the Life Assurance subsidiary which are presented in accordance with accounting practices described in Note 1.

In our opinion, based on our examination and the opinion of the valuation actuary, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1978 and the results of its operations for the year then ended, in conformity with accounting practices as referenced in the above paragraph applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
Chartered Accountants

Vancouver, B.C.
February 26, 1979

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 1978

	1978	1977
	(Thousands)	
ASSETS		
Bonds, at amortized cost	$ 15,218	$ 6,697
Stocks	8,109	988
Mortgage loans on real estate (Note 3)	48,397	20,976
Real estate property held for resale, at cost	941	33
Policy loans, secured by cash surrender values	2,827	1,309
Cash and term deposits (Note 4)	12,482	11,086
Segregated fund assets, at market value (Note 5)	1,149	601
Premium and investment income receivable	2,194	1,296
Office premises and computer installation, at cost less accumulated depreciation and amortization of $414,000 (1977 - $334,000)	427	133
Investment in life insurance portfolio, fund management contracts and related agency forces (Note 6)	9,055	8,486
Other assets	445	111
	$101,244	$ 51,716

Approved by the Directors

P. G. ROPCHAN, Director

G. T. CORLETT, Director

See accompanying notes to financial statements.

	1976	1977
	(Thousands)	
LIABILITIES		
Debentures and savings certificates (Note 7)	[illegible]	$ —
Policy reserves	[illegible]	21,671
Other obligations to policyholders	[illegible]	4,095
Segregated fund policy liabilities	[illegible]	601
Income taxes payable	[illegible]	73
Accounts payable and accrued liabilities	[illegible]	924
Due to shareholders on share consolidations (Note 8)	[illegible]	889
Demand bank loan and bank indebtedness (Note 9)	[illegible]	—
	[illegible]	28,253
Minority interests (Note 10)	[illegible]	10,063

SHAREHOLDERS' EQUITY AND RESERVES

Capital Stock (Note 11)		
Authorized 4,190 common shares, no par value		
Issued and fully paid 1,227 common shares	[illegible]	8,125
Contributed surplus (Note 12)	[illegible]	1,360
Retained earnings	[illegible]	3,523
Reserve for investment valuation and currency exchange	[illegible]	392
	[illegible]	$ 51,716

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1978

	1978 (Thousands)
Balance at beginning of year	$ 2,204
Add adjustment on change of accounting policies (Note 2)	1,354
	3,558
Less adjustment to 1977 income taxes on investment income	21
Balance as restated	3,537
Net income for year	774
	4,311
Dividends paid	141
Appropriation to reserve for investment valuation and currency exchange	390
Balance at end of year	$ 3,780

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1978

	1978
	(Thousands)
INCOME	
Life premiums and annuity considerations	$ 23,618
Investment income	6,775
Mutual fund management and related fees	760
Realty and other income	380
Gain on sale of investments	47
Total income	31,580
PAYMENTS TO POLICYHOLDERS AND BENEFICIARIES	
Death benefits	1,322
Annuity benefits	366
Cash surrender values paid	1,184
Other	262
	3,134
Insurance policy reserve provisions	16,171
EXPENSES	
Interest	716
Sales	2,324
Administration	1,486
Depreciation	80
	4,606
Total appropriation and expenses	23,911
Income before income taxes, minority interests and extraordinary item	7,669
Income taxes	680
Income before minority interests and extraordinary item	6,989
Minority interests	669
Income before extraordinary item	6,320
EXTRAORDINARY ITEM	
Reduction of income taxes due to application of loss carried-forward	11
Net income for the year	$ 6,331
EARNINGS PER SHARE	
Income before extraordinary item (based on average of 1,468 shares outstanding during the year)	$ 4,306.54
Net income for the year (based on average of 1,468 shares outstanding during the year)	$ 4,314.07

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1978

1. Summary of significant accounting policies

a. Principles of consolidation

The consolidated financial statements for the year ended December 31, 1978 include the accounts of the following subsidiaries:

	Percent of ownership
The North West Life Assurance Company of Canada	100%
NW Fund Management Ltd.	100%
NW Investments Ltd.	100%
NW Growth Investments Ltd., common shares (subsidiary of NW Investments Ltd.)	100%
Continental Estates Corporation Ltd., common shares (subsidiary of NW Growth Investments Ltd.)	100%
Newco Printing Ltd.	100%
Newco Realty Ltd.	100%
R.M. Thomson & Co. Ltd.	100%
Newco Enterprises Ltd.	100%

All material inter-company transactions have been eliminated.

These financial statements include the results of Continental Estates Corporation Ltd. since its acquisition on October 1, 1978.

The consolidated financial statement of Newco Financial Corporation reflects 60% of the earnings of NW Growth Investments Ltd. as 40% of the earnings after preference dividend effectively accrue to the preferred shareholders (Note 10).

b. Accounting policies

A significant portion of the consolidated accounts represent the accounts of the Life Assurance subsidiary, which have been prepared on the basis of accounting principles set out in the Canadian and British Insurance Companies Act.

A number of changes have been made to the Act and accompanying regulations, resulting in revisions to accounting policies and financial reporting practices. These changes are complex and have been made to ensure better disclosure of the results of operations in any particular year, and to move closer to generally accepted accounting principles. The revised accounting policies and financial reporting practices, affecting principally the treatment of certain realized and unrealized capital gains and losses and the valuation of some assets and policy contract liabilities, are effective in these financial statements.

The significant accounting policies and practices which the Life Assurance subsidiary now follows include the following:

Bonds are carried at amortized cost. Profits and losses on sales of bonds held for the life assurance business are amortized on a straight-line method to the date of maturity of the bond or over 20 years whichever is the earlier.

Stocks are carried at cost, including, for life insurance business, a portion of the difference between cost and market value and a deferred portion of the realized profit and losses on the sale of stocks.

Mortgage loans on real estate are carried at their outstanding principal balance.

Real estate held is carried at cost.

Segregated investment funds are carried at market value.

Electronic data processing equipment is carried at cost less accumulated depreciation.

Income taxes are reported on an actual taxes payable basis rather than the tax allocation basis.

Statutory life policy and annuity contract reserves are determined using assumptions appropriate to the Company and the policies in force. For life insurance business the calculation assumes that the amount of acquisition expenses allowed by law is deferred and amortized over the premium paying period of the policies. Reserves for policies with cash surrender values are at least equal to that value. There are no negative reserves.

United States dollar items in these statements have been converted at par. If current rates of exchange had been used for all items, there would have been an increase in total assets of approximately $2,748,000 and an increase in total liabilities of approximately $2,693,000 resulting in an increase in reserve of $55,000.

2. Comparative figures

The statements of income and surplus for the year ended December 31, 1978 which are shown on the revised basis are not comparable with the previously published statements for the year ended December 31, 1977. The income and changes in surplus for the year ended December 31, 1977 cannot readily be restated on a comparable basis and are therefore omitted. The balance sheet as at December 31, 1977 has been restated for comparative purposes.

The following balance sheet items at December 31, 1977 are restated.

Policy reserves are decreased by $1,245,000 from $22,916,000 to $21,671,000.

Reserve for security valuation, previously shown as a liability of $501,000 is now shown as an appropriation of surplus of $392,000 a decrease of $109,000.

This resulted in a corresponding increase in retained earnings of $1,354,000 from $2,206,000 to $3,560,000.

There has been an adjustment to 1977 income taxes of $37,000 which has resulted in a decrease in retained earnings to $3,523,000 as at December 31, 1977.

3. Mortgage loans on real estate

In 1976 the Company granted an interest bearing loan of $100,000 to an officer of the Company. The loan is fully secured by a second mortgage and has a five year term.

4. Cash and term deposits

Of the term deposits, $400,000 is pledged as collateral for a loan to a third party. The loan is also secured by an assignment of current and

future amounts payable to the third party.

5. Segregated funds

During the year the Company purchased 40,000 units in The North West Property Fund for $200,000. This investment and the corresponding segregated fund liability are eliminated in these statements.

6. Life insurance portfolio, fund management contracts and related agency forces

This amount arose principally during 1969 and 1970 on the acquisition of the Life Insurance and Mutual Fund Management subsidiary companies and represents the cost of the acquisition less the capital and surplus of the subsidiaries at the dates of acquisition.

7. Debentures and savings certificates

a. Debentures issued and outstanding

Debentures payable, including interest left on deposit to compound of $2,828,000, secured by a first floating charge on all the assets of the Company consist of:

Call debentures, including fixed term debentures due within 100 days of year end date, bearing interest at rates of 6¼% to 11% per annum	$1,941,000
Accrued interest thereon	1,000
	1,942,000
Fixed term debentures, for terms varying from one to five years, bearing interest at rates of 7¼% to 11⅓% per annum	21,833,000
Accrued interest thereon	31,000
	21,864,000
	23,806,000

b. Savings certificates issued and outstanding

Savings certificates, including interest left on deposit to compound of $37,000 consist of:

Call certificates, including fixed term certificates due within 100 days of year end date, bearing interest at rates of 7¼% to 10% per annum	$ 1,688,000
Accrued interest thereon	20,000
	1,708,000
Fixed term savings certificates for terms varying from one year to five years; bearing interest at rates of 8½% to 10½% per annum	2,468,000
Accrued interest thereon	11,000
	2,479,000
	4,187,000
Total debentures and savings certificates	$27,993,000

8. Due to shareholders

The amount due to shareholders represents the unpaid balance arising from the share consolidations in 1974 and 1977.

9. Demand bank loan and bank indebtedness

Included in the balance are unsecured demand bank loans totalling $298,000.

10. Minority interest

Included in minority interest is $9,924,805 which represents 1,990,183 issued redeemable, cumulative, 6% preferred shares of NW Growth Investments Ltd.

The holders of redeemable preferred shares are entitled to receive fixed preferential cumulative cash dividends at the rate of 6% per annum with the first of such dividends accruing from January 1, 1978 and payable in 1979.

If all accrued and unpaid dividends on the redeemable preferred shares have been fully paid, the Board of Directors may declare further dividends which shall be paid to both the common shares and redeemable preferred shares as follows:

60% of such additional dividends to the common shares;

40% of such additional dividends to the redeemable preferred shares.

The Board of Directors is of the opinion that no additional dividends will be declared for the forseeable future as it is in the best interests of the Company to reinvest all earnings to ensure its continued growth and profitability.

11. Capital stock

The Company acquired 475 common shares during the year and consequently reduced the capital stock. In addition there are 4 common shares owned by a subsidiary Company which are eliminated on consolidation.

	Number	Value
Issued at December 31, 1977	1,706	$8,125,000
Acquired during the year	475	2,262,000
Issued at December 31, 1978	1,231	5,863,000
Owned by subsidiary company	4	12,000
	1,227	$5,851,000

There are 3,175 shares of The North West Life Assurance Company of Canada outstanding which could as a result of an offer outstanding, be exchanged for and result in the issuance of 9 shares of Newco Financial Corporation.

Pursuant to a director's resolution dated September 23, 1969, options may be granted for share purchase plans to employees of the Company or its subsidiaries. There is one option at $3,000 per share outstanding and exercisable at December 31, 1978 expiring on May 31, 1979.

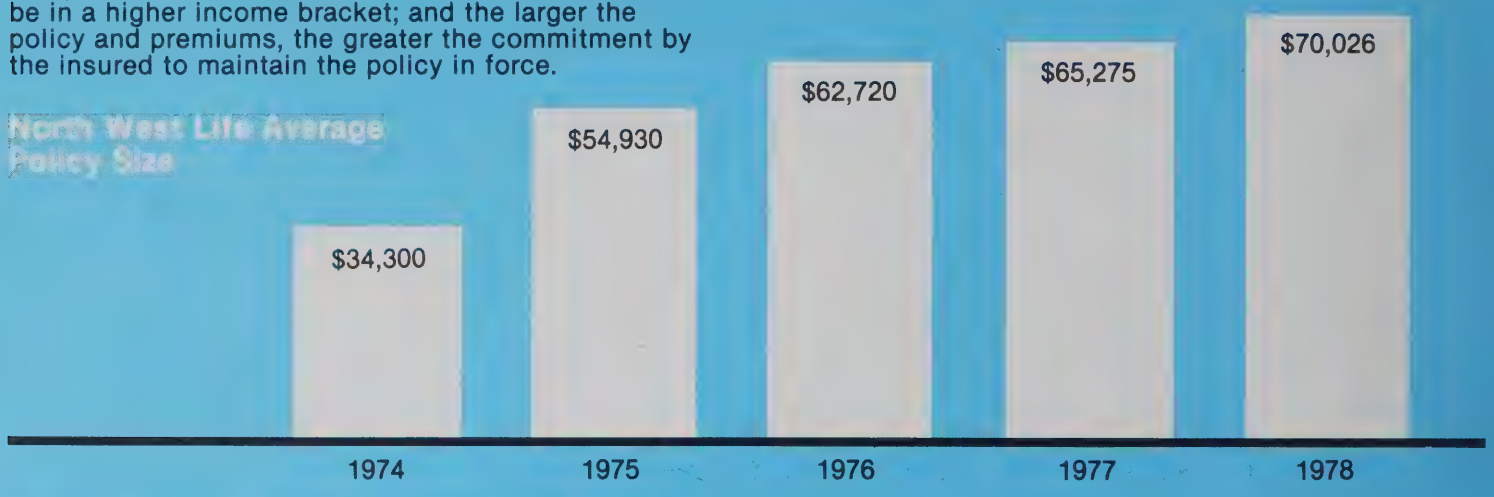
12. Contributed surplus

Contributed surplus arises from the reduction of share capital and from the share consolidations in 1974 and 1977.

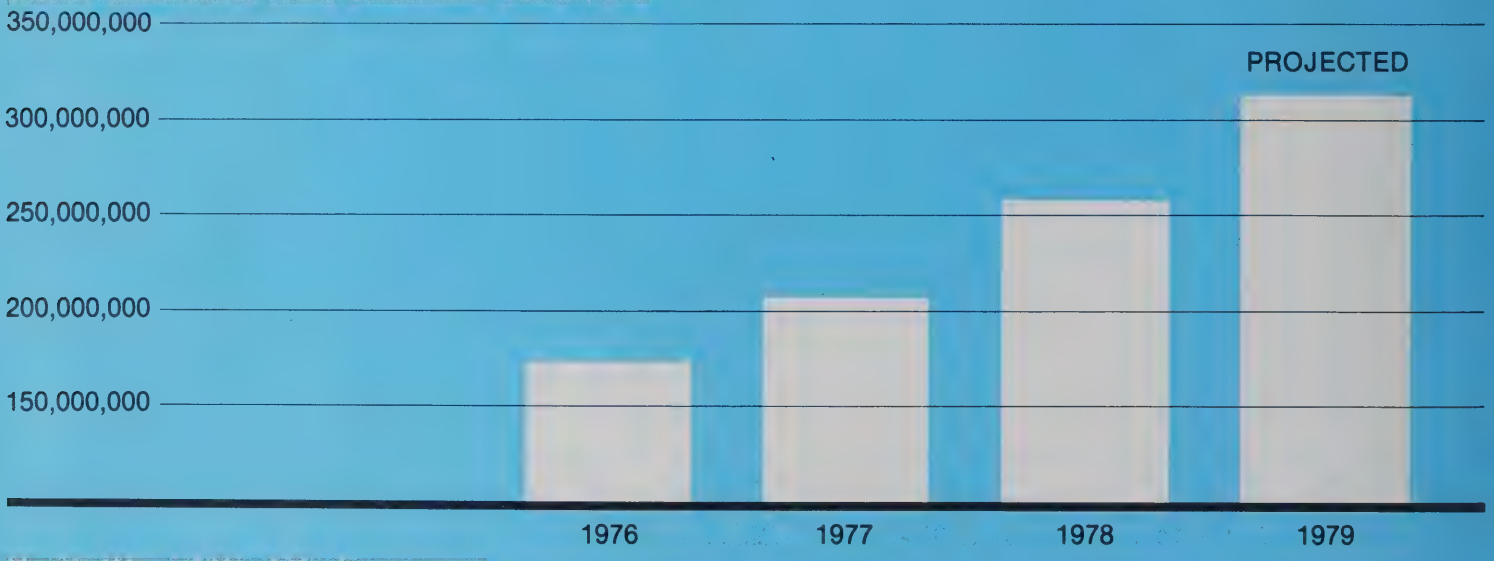
INDICATORS OF GROWTH, CURRENT AND FUTURE

The average life policy written by North West Life tends to be for a larger amount than the statistical average for all other Canadian life insurance companies. This indicates that our customers tend to be in a higher income bracket; and the larger the policy and premiums, the greater the commitment by the insured to maintain the policy in force.

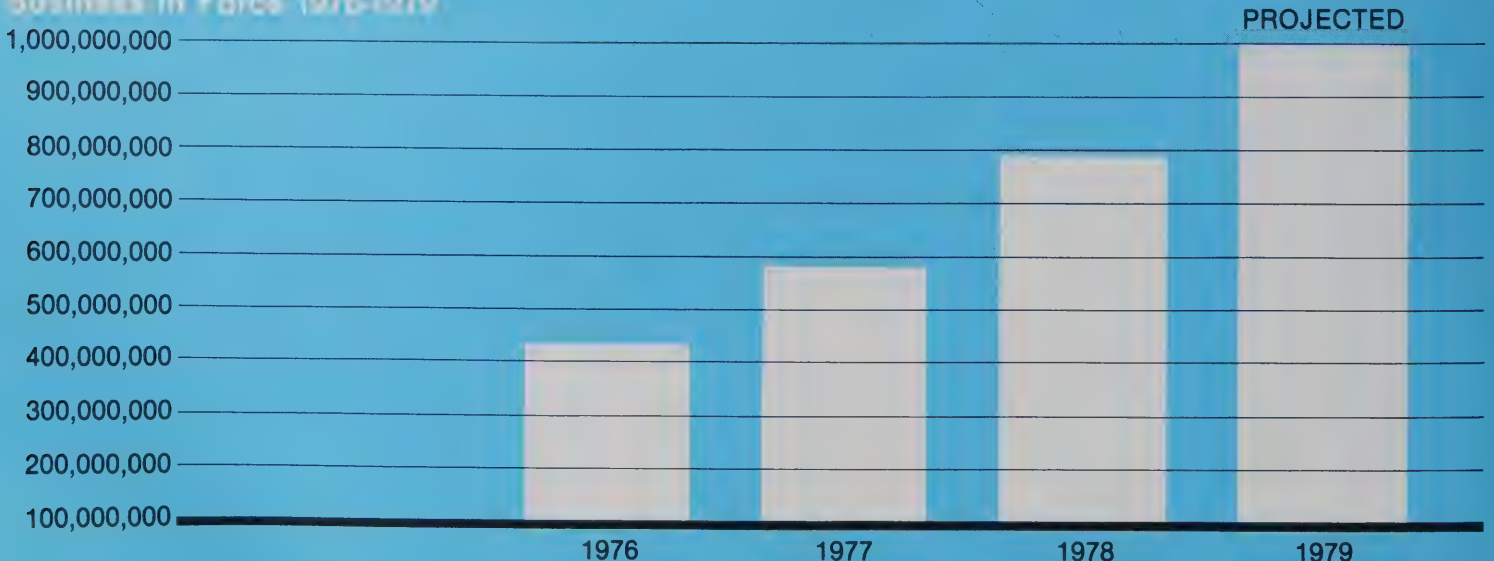
North West Life Average Policy Size



North West Life: New Business 1976-1979



North West Life: Life Insurance Business In Force 1976-1979





The North West Life has continued to introduce important new products to meet the changing needs of families and individuals. Here are illustrations of brochures showing recent new product developments.

Processing, storing and retrieving the vast volume of information generated by the component companies of the Newco group would be virtually impossible without computer technology. The company makes efficient use of a compact system staffed by experienced programmers and operators, among them: Kathy Burton at the Microdata Disc Drives; Marilyn Ropchan and the Printer; At the Microdata Terminal is Debbie McLaren; Silvana Mastronardi operates the Central Processing Unit.

Right: Marilyn Ropchan and the Printer.

Below: At the Microdata Terminal is Debbie McLaren.





Top: Kathy Burton at the Microdata Disc Drives.

Right: Silvana Mastronardi operates the Central Processing Unit.





Gary Batt (right), Vice-President, Finance and Administration, discusses growth plans with Arthur Putz, President of the newly-acquired subsidiary, Continental Estates Corporation Ltd.



Actuary Ron Pepper (left) reviews with Allan Thomson, Vice-President of North West Life, the development of new products which will play a major role in the company's marketing operations in Canada and the United States.



The company's agency force has grown to 492 agents operating from 118 general agencies and serving communities throughout North America.

Canada	**248 agents**	**67 agencies**
United States	**244 agents**	**51 agencies**


QUEBEC
P.E.I.
NEW
BRUNSWICK
NOVA
SCOTIA
FLORIDA









NEWCO FINANCIAL CORPORATION

Directors

Gerald T. Corlett
Consultant
Vancouver, B.C.

Ernest A. Johnson
Physician & Surgeon
Calgary, Alberta

Peter G. Ropchan
President, Newco Financial Corp.
West Vancouver, B.C.

H. J. C. Terry
President, Potter Distilleries Ltd.
North Vancouver, B.C.

George A. Wilkinson
President, Wilkinson Industrial Consultants Ltd.
Vancouver, B.C.

Officers

Peter G. Ropchan, President
Arthur W. Putz, Vice-President & Secretary-Treasurer
Gary W. Batt, Vice-President, Finance & Administration
Gordon G. Ropchan, Assistant Secretary

Home Office

595 Howe Street
Vancouver, B.C. V6C 2T5
Canada

Registrar and Transfer Agents

The Canada Permanant Trust Company
Vancouver, Canada

Bankers

The Toronto Dominion Bank
Vancouver, Canada

Shareholders Auditors

Touche Ross & Co.
Vancouver, Canada

THE NORTH WEST LIFE ASSURANCE COMPANY OF CANADA

Directors

Ronald S. Bennetts
President, R. S. Bennetts Ltd.
Calgary Alberta

Gerald T. Corlett
Consultant
Vancouver, B.C.

Harvey J. Grey, Q.C.
Barrister & Solicitor
Vancouver, B.C.

Ernest A. Johnson
Physician & Surgeon
Calgary, Alberta

Ralph J. Leonard
Retired
Lethbridge, Alberta

Daniel MacDermid,
Business Executive
Drumheller, Alberta

Peter G. Ropchan
President, Newco Financial Corp.
West Vancouver, B.C.

H. J. C. Terry,
President, Potter Distilleries Ltd.
North Vancouver, B.C.

George A. Wilkinson
President, Wilkinson Industrial Consultants Ltd.
Vancouver, B.C.

Officers

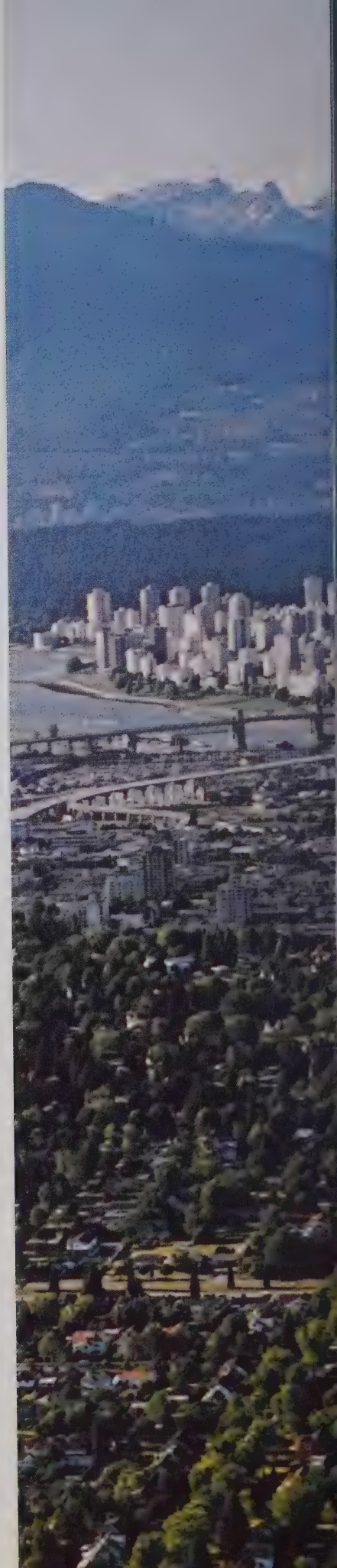
Peter G. Ropchan, President
Allan L. Thomson, Vice-President and Senior Actuary
Arthur W. Putz, Vice-President & Secretary-Treasurer
Gary W. Batt, Vice-President, Finance & Administration
Ronald W. Pepper, Vice-President and Actuary
Gordon G. Ropchan, Assistant Secretary

Home Office

595 Howe Street
Vancouver, B.C. V6C 2T5
Canada

OTHER SUBSIDIARIES OF NEWCO

NW Investments Ltd.
NW Growth Investments Ltd.
Continental Estates Corporation Ltd.
NW Fund Management Ltd.
Distributors of
NW Canadian Fund Ltd.
NW Equity Fund Ltd.
Newco Printing Ltd.
Newco Realty Ltd.



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NEWCO FINANCIAL CORPORATION

Semi-Annual Report

FOR THE SIX MONTHS ENDED JUNE 30, 1978

NEWCO FINANCIAL CORPORATION

REPORT TO SHAREHOLDERS

July 26, 1978

Dear Shareholder:

This report for the first six months of 1978 shows continued growth for your Company. New life insurance and annuities written was $164,000,000, a sales record for your Company. The total business in force now exceeds $696,000,000.

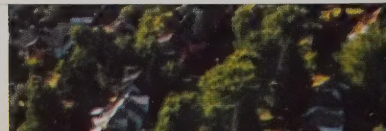
Consolidated revenue has risen to $12,521,000 from $7,326,000, an increase of 71% over 1977, and net income after taxes and minority interest, increased to $326,000.

Net income before income taxes but after minority interest rose from $302,000 to $689,000, an increase of 128%. As mentioned in the 1977 Annual Report, new regulations to the Income Tax Act were to be issued in 1978. Draft regulations are now being released for study. In anticipation of changes, the net income reported of $327,000 is after making a tax provision of $362,000.

Your Company continues to grow, to expand its operations, to challenge new markets, and to innovate. We project the balance of 1978 to further reflect these goals.

Respectfully submitted,

Peter G. Ropchan
President



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NEWCO FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF INCOME
for the six months ended June 30, 1978
(Unaudited)

Income	1978	1977
Life premiums and annuity considerations	$10,002,000	$5,669,000
Investment income	2,226,000	1,258,000
Mutual fund management and related fees	85,000	300,000
Realty and other income	208,000	99,000
Total Income	12,521,000	7,326,000
Payments to Policyholders and Beneficiaries:		
Death and accident benefits	646,000	378,000
Annuity benefits	264,000	213,000
Other assurance contract benefits	671,000	558,000
Dividends	91,000	92,000
	1,672,000	1,241,000
Insurance Policy Reserve Provisions	7,822,000	3,887,000
Expenses:		
Sales	1,199,000	1,162,000
Administration	732,000	656,000
Depreciation	41,000	24,000
Premium taxes	66,000	52,000
Total Appropriation and Expenses	11,532,000	7,021,000
Income before income taxes and minority interest	989,000	305,000
Income taxes	362,000	9,000
Net income before minority interest	627,000	296,000
Minority interest	300,000	3,000
Net income for the period	$ 327,000	$ 293,000

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NEWCO FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
for the six months ended June 30, 1978
(Unaudited)

	1978	1977
SOURCE OF CASH:		
From operations		
Net income for the period	$ 326,000	$ 292,000
Items not requiring an outlay of cash including increase in policy reserves, deposit liabilities future dividends, policy claims awaiting proof and minority interests	10,614,000	4,384,000
Total Cash from operations	10,940,000	4,676,000
From sales and repayment of investments		
Bonds and stocks	489,000	1,356,000
Mortgages	3,751,000	1,657,000
Real estate	33,000	187,000
Policy loans	245,000	–
Increase in bank indebtedness	–	150,000
From changes in other accounts	423,000	7,000
Total source of cash	15,881,000	8,033,000
USE OF CASH:		
Cost of investments purchased		
Bonds and stocks	11,124,000	2,577,000
Mortgages	8,909,000	4,949,000
Policy loans	712,000	56,000
Real estate	–	77,000
Purchase of computer	160,000	–
Dividends	–	56,000
From changes in other accounts	3,093,000	577,000
Total application of cash	23,998,000	8,292,000
Decrease in cash during the period	8,117,000	259,000
Cash and short-term deposits less bank indebtedness, beginning of the period	11,086,000	110,000
Cash and short-term deposits less bank indebtedness, end of the period	$ 2,969,000	$ 149,000

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